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AICPA *Washington Report*

August 20, 1973

Volume I, Issue 33

AGRICULTURE, DEPARTMENT OF

REA Seminars Planned. The Rural Electrification Administration (REA) will present a series of seminars for CPAs who conduct or are interested in conducting audits of REA borrowers. The course will begin in the Fall.

The purpose of the seminar is to promote a better understanding of REA's minimum requirements for audits and working papers and to allow for discussion of accounting matters of mutual interest to the conferees.

For further information about the seminar, write to: Mr. Wells Ludlow, Borrowers Financial Management Division, Rural Electrification Administration, Department of Agriculture, Washington, D.C. 20250.

COMMERCE, DEPARTMENT OF

"Commerce Business Daily" offers procurement information.

In recent weeks we have been receiving inquiries concerning where to obtain information about such things as U.S. Government procurement invitations, subcontracting leads, contract awards, foreign business opportunities, etc. The U.S. Department of Commerce has a daily publication entitled Commerce Business Daily which provides this information. The daily is available at an annual subscription of \$40.00 or \$70.25 for the airmail edition. Write to Superintendent of Documents, Commerce Business Daily, U.S. Government Printing Office, Washington, D.C. 20402 (a check must accompany your purchase order).

COST OF LIVING COUNCIL

Phase IV insurance regulations issued by CLC. The Cost of Living Council has issued final Phase IV insurance regulations, effective 8/12/73. The purpose of the new regulations is to limit the amount of rate increases

by insurers. The Council pointed out that these insurance regulations have been patterned after those in use during Phase II and it is expected that they will have a restraining effect on the amount of premium increases implemented by insurers during Phase IV.

Copies of the regulations are for sale by the Superintendent of Documents (Stock No. 4114-00018), U.S. Government Printing Office, Washington, D.C. 20402 at a price of 40¢ each.

FEDERAL HOME LOAN BANK BOARD

Terms of unsecured mortgage loans increased. The FHLBB has amended Section 545.8 of the rules and regulations for the Federal Savings and Loan System (12 CFR 545.8). The amendment, which appears in the 8/10/73 Fed. Reg., p. 21624, changes from 10 years and 32 days to 15 years and 32 days the maximum term authorized for certain unsecured loans which Federal savings and loan associations can make. Any Federal association that has amended Charter K by the addition thereto of Section 14.1 and any Federal association that has a charter in the form of Charter K (rev.) or Charter N, may invest in such loans upon approval by the Board of Directors. The aggregate of all outstanding unsecured investments of the Association made under Section 545.8 cannot exceed 20% of the Association's assets.

Amendment on loans for second homes. The FHLBB is proposing to amend Section 545.6-1(a) of the Federal Savings and Loan System regulations to limit the authority of a Federal savings and loan association to make certain loans in excess of 80% of a secured property's value (p. 22047, 8/15/73 Fed. Reg.). The proposal would allow Federal Associations which have Chapter K (under sections 13 and 14) to permit loans in excess of 80% of secured value (but not greater than 90%) only if the borrower has executed a certification in writing stating (1) that no lien or charge upon such property has been given or executed by the borrower, and (2) the borrower is actually occupying the property as his principal dwelling.

FEDERAL TRADE COMMISSION

FTC proposes additional reporting requirements by "line of business." The FTC, striving to improve the quality of the economic data it receives from corporations, resubmitted a proposed line-of-business (LE) reporting form to the Office of Management and Budget. The form would require firms to report income

and profits to the Government on a LB basis for the first time. FTC wants the data for its Bureau of Economics and policy planning office for pinpointing possible antitrust targets. It must gain OMB approval under the Federal Reports Act. FTC faces an uphill battle against the business community and the OMB.

GENERAL ACCOUNTING OFFICE

"The Monthly List of GAO Reports," a GAO publication, gives information on the agency's reports, legal decisions, and letter reports. If you are interested in obtaining this publication, it is available at \$1.00 per copy from the U.S. General Accounting Office, Room 6417, 441 G Street, N.W., Washington, D.C. 20548.

INTERIOR, DEPARTMENT OF

New edition of "Directory of Procurement Offices" released. The Department of the Interior announced the release of the May 1973 edition of the Directory of Procurement Offices. The directory is designed to be especially helpful to small and minority businessmen.

Among other information, the directory contains an explanation of the Department's decentralized procurement program; a brief synopsis of articles and services purchased by Interior's bureaus and offices; advice concerning other procurement publications; and the addresses and telephone numbers of all Interior procurement offices.

Copies of the directory are available at no charge from the Assistant Director for Procurement Policy, Office of Survey and Review, Department of the Interior, Washington, D.C. 20240.

INTERSTATE COMMERCE COMMISSION

Express company audit regulations. New regulations requiring the use of a revised Uniform System of Accounts for express companies has been published in the 8/13/73 Fed. Reg., p. 21746. The order becomes effective 9/25/73 and requires the retroactive use of such a uniform system by express companies as of 1/1/73.

OPERATIONAL AUDITING

Operational auditing seminar scheduled in Iowa. A two-day seminar on Operational-Performance-Management and Program Auditing will be presented by the Iowa Society of CPAs on 10/29-30. The program will focus on operational auditing methodology and approaches with

typical case studies. While the emphasis of the program will be on the public sector, time also will be devoted to operational auditing in the private sector. For more information about the seminar write to: William O. Martin, Executive Secretary, Iowa Society of CPAs, 722 Insurance Exchange Building, Des Moines, Iowa 50309. Phone: 515-280-7997.

SECURITIES AND EXCHANGE COMMISSION

State insurance regulations affect variable life insurance registration. The Commission has issued an opinion stating that companies considering the filing of registration statements for variable life insurance contracts first determine that the policies to be offered can be sold in the jurisdiction in which the offer will be made (8/16/73 Fed. Reg., p. 22121).

Section 6(a) and 5(b) require that the registrant have the present intent to commence selling and that there be reasonable certainty that securities being offered can be legally sold.

The Commission feels that such reasonable certainty does not exist in the absence of enabling legislation, regulations, or the approval of a policy by state insurance authorities.

TRANSPORTATION, DEPARTMENT OF

Tips to help your client cut cargo thefts. For those CPAs who audit, report, and comment on the financial affairs and internal controls of cargo companies, we recommend the publication A Co-operative Approach to Cargo Security in the Trucking Industry.

The booklet describes how seven New Jersey trucking terminals cut their cargo thefts in half. It points out the most effective deterrent to cargo theft is good management and security awareness by the terminal manager.

Copies sell for \$1.25 each at the Government Printing Office, Washington, D.C. 20402.

TREASURY, DEPARTMENT OF

Income Tax Preparation Bill. Rep. Marvin Esch (R-Mich.) has introduced a bill that would lay down certain stipulations affecting the preparation of income tax returns (HR 9297).

One of the provisions of the bill would prohibit preparation of returns by persons convicted of preparing fraudulent returns.

This legislation is similar to the bill introduced by Reps. Mills and Schneebele; however, Rep. Esch's bill is addressed to those income tax preparers who are not CPAs.

Revenue sharing statistics released. The Treasury Department has issued the first official breakdown of Revenue Sharing recipients since the inception of the program.

Graham W. Watt, head of the department's Office of Revenue Sharing, said of the slightly more than \$8 billion paid out by the Treasury so far, 36 percent has gone to cities and towns, 33 percent to states, 25 percent to counties, 5 percent to townships, and 1.2 percent to Indian tribes and Alaskan native villages. New York State has been the largest recipient, with a total of \$301 million.

Possible suspension of DISC tax advantages. Suspension of tax advantages for exports under the Domestic International Sales Corporation (DISC) system is expected to be announced for soybeans and other commodities in short supply. The DISC section of the Revenue Act of 1971 contains a "short supply" provision under which the President has authority to issue Executive Orders excluding from the definition of export property those goods which he determines are in short supply. The duration of the DISC suspension period is at the discretion of the President.

CPAs IN THE NEWS

CPA Theresa Matthews, also known as Sister Timothy is employed by the Chicago office of Laventhol Krekstein Horwath and Horwath. Sister Timothy is a nun of the Roman Catholic order of the Sisters of Mercy and has done financial work at health institutions run by her order. LKH&H, which is involved in the health care field, hired her because of her previous hospital experience.

Benito Ramos Fernandez, a 31-year old Puerto Rican, has purchased Typhoon Industries, a 140 employee company with assets approximating \$4 million. The purchase was consummated through the help of the Small Business Administration and several prominent New York financial institutions. Included in Benito's business experience background is the position of junior accountant with Kohleriter & Spandorf which has since merged with Touch Ross & Co.

STAFF ADDITION

Carol A. Gallo joined the AICPA staff on 8/13/73, as Assistant Manager of Federal Information. As one of her duties, she will be working on the Washington Report with Wade Williams. Ms. Gallo is a graduate of the University of Sydney, Australia. Prior to joining the Institute, she was Assistant to the Editor of The Indianapolis News, Indianapolis, Indiana, and a public policy writer-researcher with the American Enterprise Institute.

Federal Information**
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** Wade Williams will be returning from vacation next week.